



**THE MODERATING EFFECT OF LEGAL FACTORS ON THE RELATIONSHIP BETWEEN STRATEGIC LEADERSHIP PRACTICES AND PERFORMANCE OF DEPOSIT TAKING SACCOS IN KENYA**

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Accepted: October 28, 2019

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**ABSTRACT**

*Strategic leadership practice is imperative in organizations due to uncertainties in the operating environment. Without it an organizations performance may be greatly constrained. The legal framework has an influence on how organizations are administered. The study sought to ascertain the moderating effect of Legal factors on the relationship between strategic leadership practices and performance of Deposit Taking SACCOS in Kenya. A descriptive correlation design was adopted. The study's population consisted of 42 DTS in Nairobi County and targeted 168 respondents. Data was collected using both close ended questionnaires and an interview guide. Questionnaires were administered on 126 senior managers while a sample of 12 CEO's who were randomly selected were interviewed. For data analysis, Pearson's product moment correlation, hierarchical multiple regression and content analysis were employed. The results indicated that legal factors had a significant moderating influence on the relationship between strategic leadership practices and performance of Deposit Taking SACCOS in Kenya. The study recommended that strategic leaders should be alive to legal factors to enhance greater organizational performance.*

**Key Words:** Deposit Taking SACCO's, Legal factors, Performance, Strategic Leadership Practices

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**CITATION:** Odero, J. A., Egessa, R., & Oseno, B. (2019). The moderating effect of legal factors on the relationship between strategic leadership practices and performance of deposit taking SACCOs in Kenya. *The Strategic Journal of Business & Change Management*, 6 (4), 1049 – 1063

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## INTRODUCTION

Leadership has been a significant challenge over the years to both practitioners as well as researchers (Northhouse, 2013). According to Malewska and Sajdak (2014) strategic leadership has been acknowledged as being amongst the principle research directions in strategic management. Carter and Greer (2013) confirmed that the top management teams' leadership styles together with strategic leadership practices significantly influenced firm competitiveness including financial performance. According to Finkelstein, Hambrick and Cannella (2008) and Hoskisson, Hitt, Ireland and Harrison (2012) strategic leadership is the managerial capacity that entails anticipation, envisioning, maintenance of flexibility and empowerment of others for creation of required organizational changes. In the recent years the need for development of leaders having adequate competencies has become quite obvious thus necessitating strategic leadership in all organizations. Bansal and Desjardine (2014) put forth an argument that absence of knowledge on strategic leadership roles may jeopardize an organization's competitiveness, performance as well as sustainability.

Many African governments in the 1970's had already recognized poor performance of public companies due to the directors and employees engaging in mismanagement, incompetence, bureaucracy, pilferage, wastage and irresponsibility thus resulting to failure in the achievement of their objectives (Miring'u & Muoria, 2011). The strategic leadership practices in this study included employee empowerment, innovation, strategic direction setting and ethical practices.

According to Kamonjo (2014) SACCOs are financial cooperatives owned by members whose basic aim entails mobilization of savings including providing loans to members on competitive terms in order to enhance their socio-economic well-being. Kenya's cooperative movement is the most vibrant in Africa

and ranked seventh globally (Ademba 2010; Muriuki & Ragui 2013). In Kenya there are two main statutes which govern the regulation and supervision of the SACCOs. These include Cooperative Societies Act (Cap 490) and the Sacco Societies Act (Cap 490B). The legal framework has an influence on how SACCOs are administered. Okwee (2011) established that several SACCOs in Uganda complied less with the corporate governance guidelines thus explaining the SACCO'S poor financial performance. Buluma, Kungu and Mungai (2017) conducted a study on how SASRA regulations impacted on financial performance of Nyandarua County's deposit taking SACCOs in Kenya and established that SASRA regulations had a significant positive influence on financial performance. This research focused on the legal provisions in the two statutes such as board competence, shareholder rights, insider lending and financial disclosures. SACCOs like other forms of business such as companies should conform to the laws and managers are required to be cognizant of how the upcoming laws may affect business. Otieno, Okengo, Ojera and Mamati (2013) observed that nearly 2% of SACCO's are closed down annually and as for members, approximately 6% withdraw every year. Therefore it was in order to propose that strategic leadership as moderated by legal factors was required in organizations to enhance performance.

Organizational performance is a firm's capability to ensure it achieves its goals by the use of its resources efficiently as well as effectively (Daft & Marcic, 2013). Performance was perceived in terms of level of customer satisfaction, membership base, asset base and deposit base.

### Statement of the Problem

Magali and Pastory (2013) alluded that despite the SACCOs having strategic leadership, poor performance and low level of efficiency that affects their sustainability has been reported. Some scholars confirmed that inadequate corporate governance

practices and also poor SACCO management increased the extent of Non-Performing Loans (Karumuna & Akyoo 2011; Mwakajumilo 2011; Magali 2014). Member's demand for loans has been reported to be greater than the amount of deposits mobilized. The number of active members in SACCOS dropped to 3,116,674 in 2017 unlike in 2016 when there were 3,143,485 active members (SASRA, 2017). The SACCO leadership's level of preparedness in facing the identified problems and potential complexities in ensuring that they are well managed to achieve the desired performance, is actually a major concern.

Previous studies that have been conducted on strategic leadership have shown that strategic leadership influences performance of organizations (Nthini, 2013; Obunga *et al.* 2015; Witts, 2016; Jonyo, 2017). However Fitza (2017) established that strategic leadership has limited influence on performance due to existence of constraints which may either be organizational or environmental. This contradictory findings call for further study. Further whereas research linking strategic leadership and performance has been done in various sectors, the moderating effect of legal factors has not been explored. Previous research has looked at the moderating effect of external environmental complexity, organization external environment and board governance on the relationship between strategic leadership and performance (Olaka, 2018; Nganga, 2018; Mutole, 2019). This study thus sought to fill the gap by examining the moderating effect of legal factors on the relationship between strategic leadership practices and performance of Deposit Taking SACCOS in Kenya.

### **Objective of the study**

To examine the moderating effect of Legal Factors on the relationship between strategic leadership practices and performance of Deposit Taking SACCOS in Kenya.

The study hypothesis was;

**H<sub>0</sub>:** Legal factors has no significant moderating influence on the relationship between strategic leadership practices and performance of Deposit Taking SACCOS in Kenya.

## **LITERATURE REVIEW**

### **Transformational Leadership Theory**

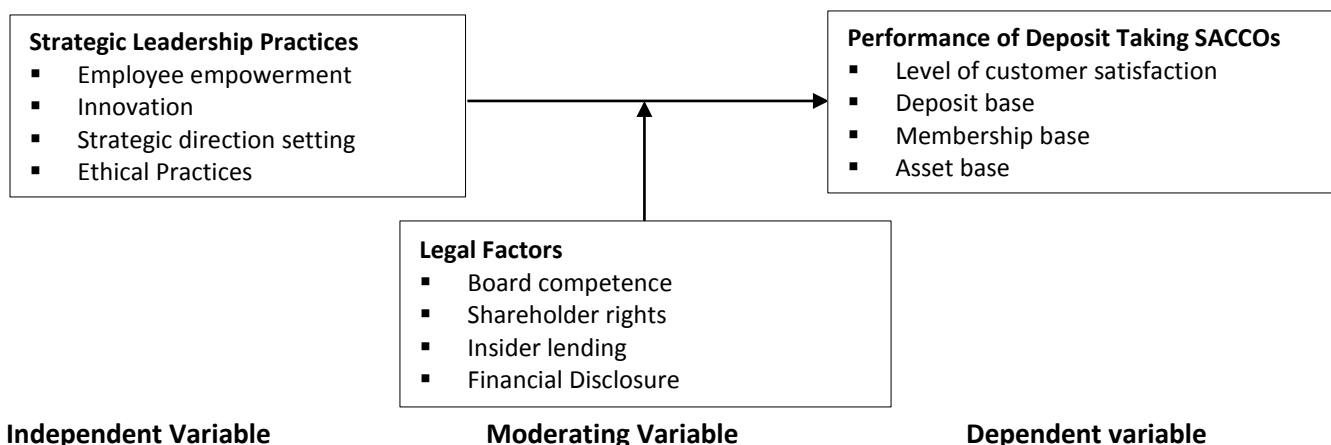
The anchor theory is the transformational leadership theory which holds that transformational leadership is an active leadership where followers are inspired by leaders towards collective vision, giving and also receiving feedback and being encouraged to pursue their personal as well as professional goals (Frooman, Mendelson & Murphy, 2012). Bass (1985) stated that transformational leadership theory had four components namely the individualized consideration, intellectual stimulation, inspirational motivation and idealized influence. Thus, individualized consideration is linked to employee empowerment. Intellectual stimulation is linked to innovation, inspirational motivation is linked to strategic direction setting and idealized influence is linked to ethical practices. According to McCleskey (2014) Individualized consideration refers to leaders acting as coaches or mentors in supporting staff to reach their full potential. Intellectual stimulation entails leaders stimulating followers to be more creative, more innovative and to think critically while solving problems. Inspirational motivation actually arises from using styles of influence that are effective and communicative. According to Frooman *et al.* (2012) idealized influence refers to leader's ability to visualize a collective vision and also promote values that are morally uplifting amongst followers.

### **Institutional Theory**

According to DiMaggio and Powell (1983) institutional theorists have laid emphasis on the value of conforming to the institutional environment and adhering to external rules and external norms. They further noted the benefits of compliance as being

prestige, legitimacy including social support. This theory addresses the influence of legal factors with

regards to Sacco laws.



**Figure 1: Conceptual Framework**

### Empirical Review

When leaders embrace strategic leadership practices they are likely to drive their organizations towards attainment of their goals. Research has been done on strategic leadership practices in different organizations, using different methodologies and different measures of strategic leadership.

Azhar, Ikram, Rashid and Saqib (2013) conducted a study on leadership role in strategy formulation and implementation. Findings revealed that leadership significantly impacted on strategic management process and more specifically it helped managers in determining the organization’s vision and mission. Further, it enhanced execution of effective strategies aimed at achieving organizations vision. More over the study confirmed that during strategic management process leadership performed various roles for instance being innovators, care takers, strategists, analysts, organizers, guides, motivators, change enablers, developers, decision makers, risk managers, debtors, collaborators and evaluators. The current study focused on employee empowerment, innovation, strategic direction setting and ethical practices.

Mahdi and Almsafir (2014) sought to examine the role that strategic leaders play to build competitive advantage that ensures sustainability and established that human inclusive of social capital development as abilities of a strategic leader positively and significantly impacted on competitive advantage in the Private Universities based in Iraq. Quantitative design was employed. This study presents a contextual gap as it was conducted in Private universities in Iraq and it excluded qualitative performance approaches which would have reinforced the findings.

Zia-ud-Din, Shabbir, Asif, Bilal and Raza (2017) focused on the textile industry of Pakistan on the strategic leadership-employee performance link together with the mediating effect of work engagement in the relation between strategic leadership and employee performance. Convenience sampling was employed. Findings confirmed that strategic leaders’ actions impacted on performance of employees and work engagement mediated the relation. The study was done in Pakistan in the textile industry thus presenting a contextual gap. Further the study focused on the mediating effect of work engagement unlike the current study which focused on the moderating influence of legal factors.

Additionally the study employed convenience sampling which may be limiting as it may be subject to bias while selecting respondents.

Palladan, Abdulkadir and Chong (2016) posited that most studies previously done on strategic leadership had only focused on profit oriented organizations, especially in Europe, Asia and America. Thus they investigated the influence that strategic leaders' actions, organizational innovation and also IT capability had on implementing of strategy in Nigerian tertiary institutions in Kaduna state and revealed that effective strategy implementation was significantly and positively influenced by strategic leadership behaviours. Cross sectional survey was utilized as the research design.

In Tanzania, Witts (2016) investigated the strategic leaders role in obtaining bank Profits. The study adopted qualitative research design and it was a case study. Content analysis was employed for analysis. Findings confirmed that strategic leadership skills development had an important influence on banking profitability. The qualitative data analysis method used was limiting thus leaving room for subjectivity. Moreover being a study of a single industry, its results cannot be generalized to other organizations due to contextual differences.

Nthini (2013) focused on state agencies both financial and commercial and assessed the strategic leadership influence on performance. The study focused on strategic direction, portfolio of resources, culture of the organization, ethics and organization control as the practices of a strategic leader. Descriptive survey research design was adopted. Semi-structured questionnaires were used for data collection and for analysis only descriptive statistics was used. It was established that strategic leader's actions promoted organization performance. A clear elaboration of the relation between various effects of strategic leadership to performance was missing in the literature review. Further the study population was wide and spread over various institutions that

specialized in different sectors. Additionally the results could have been enhanced by using inferential analysis instead of only using descriptive statistics.

Using exploratory and descriptive research designs Mboya, Were and Otieno (2017) examined the effect the style used by strategic leaders had on quality in higher learning institutions in Kenya. Strategic leadership style was measured in terms of hierarchy, communication, expertise and ownership. The study focused on public and private universities. Total population consisted of 249 leaders. Questionnaires were adopted to gather data and analysis was done descriptively and inferentially. Findings confirmed strategic leadership style was positively correlated to quality assurance. The indicators of strategic leadership differ from the ones of the current study and also the context is also different. Moreover, only close ended questionnaires were utilized thus limiting the information the researchers would get from the respondents who may have had more information regarding the subject matter.

Obunga *et al.* (2015) carried out a study in SACCOS in Kakamega County on strategic leadership effect on performance and established that it significantly and positively influenced performance. The study employed descriptive survey and as for data collection questionnaires, interview schedule and analysis of documents were utilized. Focus was on Sacco's generally and was not limited to DTS. Performance of Sacco's had three parameters: customer satisfaction, profitability and market share. Moreover the study failed to interrogate the moderating effect of legal factors.

Using descriptive research design Abashe (2016) conducted a study in Commercial Banks and particularly at Kenya Commercial Bank on strategic leadership influence on strategy. The study focused on effect of setting long term direction, monitoring activities and informed decision making on implementation. Data was gathered from 108 managers using questionnaires. A conclusion was

made that strategic leadership influenced implementation. It would not be appropriate to generalize the study's results as it only focused on one organization thus presenting a contextual gap since its structures may differ from that of other organizations.

Jonyo (2017) conducted a study in private universities in Kenya on strategic leadership and organization performance including the moderating effect of policies and regulations. Strategic leadership had mission and vision, human capital development, culture, ethics and strategy control and finance control as its indicators. Close and open ended questionnaires were used for data collection. Results revealed that existence of a relation between the variables as strategic leadership influenced performance. Further, policy and regulation positively moderated the relation between strategic leadership and organizational performance. This research concentrated on university regulations unlike the current study which focused on SACCO regulations.

Focusing on universities in Kenya both public and private, Kisingu (2017) assessed strategic leader's role in securing sustainable competitive advantage. The dimensions of strategic leadership role were to shape organizational culture, to foster organizational learning, to implement knowledge management and to foster organizational innovation. Quantitative and cross-sectional survey research designs were adopted. Closed ended questionnaires were used for data collection. It was confirmed that strategic leadership played a critical role in obtaining competitive advantage. The use of only close ended questionnaires may have limited the findings as the respondents may have had more information regarding the constructs which would have enriched the research. The research did not take into account any factors that may have moderated the link between the variables.

Using descriptive design, Abdow (2018) conducted a study in the petroleum industry on the effect

strategic leaders had in effecting change in the organization. Focus was on strategic direction, strategic planning and forecasting, human capital development, corporate communication and strategic controls. Questionnaires were used as the data collection tool. The researcher would have interviewed the CEO's to get more information as the questionnaire may have limited the vast information they have. Further the research design used descriptive was not adequate for the research. There was a sectoral gap as the study was done in the petroleum industry and also a construct gap. The study did not have a moderator it just measured the direct link.

Using survey research design Nganga (2018) assessed the perceived influence of strategic leadership of Kenyan tourism government agencies performance by considering the influence of strategic direction, organizational culture, organizational resource portfolio and the moderating influence of organizational external environment. Findings showed that strategic direction and resource portfolio were perceived to positively and significantly impact on firm performance whereas organizational culture had a negative and significant effect on performance. The environmental conditions were perceived to have a significant moderating influence on organizational performance. There's a conceptual gap in regards to the indicators of strategic direction, the moderating variable and also a sectoral gap as it was done in the tourism sector.

Using descriptive design Waihenya, Kimaru and Kamaku (2018) conducted a study in Sacco's on strategic leadership influence on customer growth and found that customer growth was influenced by strategic leadership. Structured questionnaires were used to collect data from one respondent in each SACCO and the parameters of strategic leadership were identification of strategic direction and leader's competencies. The study recommended for studies to be done on strategic leadership –customer growth

link using different variables. This research was done in SACCOS generally unlike the present study focused only on DTS. The use of only close ended questionnaires may have limited the findings as the respondents may have had more information regarding the constructs which would have enriched the research. Only one respondent was used for every organization and this was limiting since if more respondents were used they would have given a different picture and thus different results. Lastly for data analysis the study only employed descriptive statistics the results could have been enhanced by using inferential statistics.

Mutole (2019) conducted a study in NGO's in Kenya on strategic leadership practices and the moderating effect of board governance and established that shareholder' accountability, strategic direction as well as delegation influenced NGOs' performance. The study also confirmed that board governance moderated the relation. The research design employed was cross sectional survey and questionnaires were utilized for data collection. The use of only close ended questionnaires may have limited the findings as the respondents may have had more information regarding the constructs which would have enriched the research. The study was done in NGO's thus presenting a contextual gap and there's also the constructs gap as the study focused on strategic direction, shareholder accountability as well as delegation.

Owich (2017) focused on listed companies to determine strategic management process effect on performance. Specifically interest was on forming, implementing and evaluating strategy and it examined regulations as a moderator. The study used explanatory research design and targeted 325 senior managers. Findings revealed that strategy formulation significantly influenced performance whereas implementation and evaluation were found to be insignificant. Also regulations failed to moderate the relationship. This study focused on

strategic management process and NSE regulations unlike the current study which focused on strategic leadership practices and SACCO regulations. Similarly in a study conducted by Jonyo (2017) policy and regulations were found to positively moderate the relation between strategic leadership and organizational performance. However the study was done in private universities whose regulations are not the same as for SACCOS.

Wanyoike (2016), Imbambi (2017) and Laimaru (2018) found that regulations moderated the relation between the independent and dependent variable. The studies were done in different sectors such as manufacturing, commercial state corporations and sugar industry. However owing to disparities in the sectorwise regulations it would not be appropriate to conclude that the findings would be the same for SACCOS.

## **METHODOLOGY**

This study was guided by positivism research philosophy. The study employed descriptive correlational research design. A descriptive correlational approach was chosen for this study since it can study numerous variables including their interrelatedness therefore showing the extent of relations amongst the variables (Creswell, 2014). The target population comprised of 42 CEO's and 126 senior managers of Deposit Taking Sacco's in Nairobi county totaling to 168 respondents as they were strategic leaders engaged in formulation and implementation of strategies and were therefore well informed in the area of the study. The sampling frame for this study included all 42 Deposit Taking active SACCOS in Nairobi Kenya (SASRA, 2018). This study employed census technique when selecting the Deposit Taking SACCOS for the study. Primary data was collected using closed ended questionnaires and an interview guide which was developed from the objective of the study and was administered on the respondents with the aid of two research assistants. Questionnaires were administered on the senior



managers while the CEO's were interviewed. Questionnaires received from the respondents, were examined to see whether they were complete and accurate. Each questionnaire was assigned a code and keyed into the SPSS version 21 for processing. Pearson Correlation was adopted to test correlations between strategic leadership practices and deposit taking SACCO'S performance. In order to test the moderating effect of legal factors on the relationship between strategic leadership practices and performance of DTS as had been hypothesized, hierarchical multiple regression analysis was used.

## RESULTS

A total of one twenty six (126) questionnaires were distributed out of which 102 were returned giving a response rate of 81%. Hardigan, Popovici and Carvajal (2016) considered 50% as being adequate, 60% as being good and 70% and above as very good.

The constructs of the study were reliable as the Cronbach's Alpha value was above 0.7. Table 1 showed the constructs' reliability.

**Table 1: Results for Test of Reliability**

Variables	No. of items	Cronbach alpha	Comment
Employee empowerment	9	.952	Accepted
Innovation	7	.943	Accepted
Strategic direction setting	5	.915	Accepted
Ethical practices	6	.865	Accepted
Legal factors	10	.804	Accepted
Performance	6	.883	Accepted

Source: Research Data (2019)

## Pearson's Product Moment Correlation Analysis

**Table 2: Correlations**

		Employee empowerment	Innovation	Strategic Direction setting	Ethical practices	performance
Employee empowerment	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	102				
Innovation	Pearson Correlation	.738**	1			
	Sig. (2-tailed)	.000				
	N	102	102			
Strategic direction setting	Pearson Correlation	.529**	.525**	1		
	Sig. (2-tailed)	.000	.000			
	N	102	102	102		
Ethical practices	Pearson Correlation	.702**	.729**	.706**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	102	102	102	102	
Performance	Pearson Correlation	.251*	.534**	.231*	.493**	1
	Sig. (2-tailed)	.011	.000	.019	.000	
	N	102	102	102	102	102

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

Source: Research Data (2019)

Pearson's product moment correlation analysis was employed to assess the relation between strategic leadership practices and performance of Deposit taking Sacco's. Table 2 showed that strategic leadership practices were all positively and significantly correlated to performance with innovation having the highest correlation value and strategic direction setting having the lowest correlation value. Employee empowerment demonstrates a positive correlation to performance at 95 % confidence level ( $r=0.251$ ;  $p<0.05$ ). Similarly, Nzuve and Bakari (2012) found that employee empowerment was positively correlated to firm performance. Innovation is positively correlated to performance which is significant at 99 % confidence level ( $r=0.534$ ;  $p<0.01$ ). These results on innovation were in agreement with those of Wangila (2018) and Soi (2016). Strategic direction setting is positively

correlated to performance and it is significant at 95% confidence level ( $r=0.231$ ;  $p<0.05$ ). These findings resonated well with those of similar studies (Nthini, 2013; Kitonga, Bichanga & Muema, 2016; Olaka, 2016; Mutole, 2019).

Further ethical practices is also positively correlated to performance which is significant at 99 % confidence level ( $r=0.493$ ;  $p<0.05$ ). Similarly the correlation coefficient ( $r$ ) for Kitonga (2017) was 0.398. Also Serfontein (2010) found a positively weak correlation regarding ethical practices. Using the rule of the thumb as cited by Garson (2008) there was no predictor variable that had a correlation of more than  $>0.8$ , which suggested that there was no multicollinearity. Garson (2008) observed that inter-correlation among the variables of  $>.80$  signals a possible problem of multicollinearity.

**Table 3: Model Summary<sup>c</sup> for moderating influence of combined Legal Factors on the relationship between Strategic Leadership Practices and performance**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	Durbin-Watson
1	.643 <sup>a</sup>	.413	.389	.51660	
2	.750 <sup>b</sup>	.562	.525	.45575	1.472

a. Dependent Variable: Performance

b. Predictors: (Constant), Ethical practices, Employee empowerment, Strategic direction setting, Innovation

c. Predictors: (Constant), Ethical practices, Employee empowerment, Strategic direction setting, Innovation, EPLF, SDLF, INNOLF, EELF

Key: EE-employee empowerment, INNO-innovation, SD-strategic direction, EP-ethical practices, LF-legal factors

Source: Research data (2019)

The R value was 0.643 and the value of R<sup>2</sup> was 0.413 as in table 3 above. This indicated that employee empowerment, innovation, strategic direction setting and ethical practices explained 41.3% of the variance in performance of the Deposit Taking SACCO's in Kenya without legal factors while the remaining 58.7% was attributed to other factors which were not covered in the study. After adding the legal factors

(moderating variable) the R value changed to 0.750 and R<sup>2</sup> to 0.562. This indicated that legal factors and strategic leadership practices (employee empowerment, innovation, strategic direction setting and ethical practices) accounted for 0.438% of the changes in performance of the Deposit Taking SACCO's in Kenya.

**Table 4: ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.249	4	4.562	17.096	.000 <sup>b</sup>
	Residual	25.887	97	.267		
	Total	44.136	101			
2	Regression	24.820	8	3.102	14.937	.000 <sup>c</sup>
	Residual	19.317	93	.208		
	Total	44.136	101			

a. Dependent Variable: Performance

b. Predictors: (Constant), Ethical practices, Employee empowerment, Strategic direction setting, Innovation

c. Predictors: (Constant), Ethical practices, Employee empowerment, Strategic direction setting, Innovation, EPLF, INNOLF, EELF, SDLF

Source: Research data (2019)

As shown in the ANOVA table 4 above, the regression model can be used to explain the effect of Strategic leadership practices (employee empowerment, innovation, strategic direction setting and ethical practices) on performance as the F statistics was 17.096 (p value < 0.01). When legal factors was

included in the model, the F statistics changed to 17.666 (p value < 0.01). Therefore both model 1 and 2 were statistically significant and could explain the variation in performance of Deposit Taking SACCO's in Kenya.

**Table 5: Coefficient<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.018	.501		2.034	.045
	Employee empowerment	-.415	.117	-.437	-3.538	.001
	Innovation	.553	.121	.588	4.585	.000
	Strategic direction	-.190	.097	-.217	-1.969	.052
	Ethics	.783	.212	.524	3.694	.000
2	(Constant)	4.002	.954		4.194	.000
	Employee empowerment	-5.540	1.976	-5.831	-2.804	.006
	Innovation	-5.134	2.483	-5.458	-2.068	.041
	Strategic direction	5.020	2.375	5.721	2.113	.037
	Ethics	4.615	1.861	3.091	2.480	.015
	EE*LF	1.150	.479	7.022	2.400	.018
	INNO*LF	1.461	.622	8.584	2.350	.021
	SD*LF	-1.283	.597	-8.443	-2.150	.034
EP*LF	-1.077	.455	-5.352	-2.368	.020	

a. Dependent Variable: Performance

Source: Research data (2019)

Regarding the coefficient table 5, employee empowerment, innovation and ethical practices significantly influenced performance at  $p \leq 0.01$  level of significance though, strategic direction setting as a strategic leadership practice did not significantly affect performance. This may have been due to the confounding effect of other variables. Having regards to regression findings in table 5 above, substituting the equation;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \text{ becomes}$$

$$Y = 1.018 - .415 + .553 - .190 + .783.$$

Assuming that all other independent variables were 0.000 performance would be 1.018. A unit increase in employee empowerment leads to 0.415 decrease in performance though it is statistically significant. A unit increase in innovation leads to 0.553 increase in performance and it is statistically significant. A unit increase in strategic direction setting results to 0.190 decrease in performance and it is not statistically significant. A unit increase in ethical practices results to 0.783 rise in performance and it is statistically significant.

However on the inclusion of the moderator, legal factors moderated the relation between strategic leadership practices and performance at  $p \leq 0.05$  significance level. Having regards to regression findings in table 5 above, substituting the equation;

$$Y = \beta_0 + \beta_1(X_1 * LF) + \beta_2(X_2 * LF) + \beta_3(X_3 * LF) + \beta_4(X_4 * LF) + \epsilon \text{ becomes}$$

$$Y = 2.248 + 1.150 + 1.461 - 1.283 - 1.077$$

Assuming that all other independent variables are 0.000 performance will be 2.248. A unit change in employee empowerment results to 1.150 positive change in performance and it is statistically significant. A unit change in innovation results to 1.461 positive change in performance and it is statistically significant. A unit change in strategic direction setting leads to 1.283 negative change in performance though it is statistically significant. A

unit change in ethical practices results to 1.077 negative change in performance though it is statistically significant. Thus legal factors affected the relationship between strategic leadership practices and performance.

On the same vein Wanyoike (2016), Imbambi (2017) and Laimaru (2018) found that regulations moderated the relation between the predictor and outcome variable. The studies were done in different sectors such as manufacturing, commercial state corporations and sugar industry. Similarly in a study conducted by Jonyo (2017) in private universities, policy and regulations were shown to moderate the relation between strategic leadership and performance. On the same vein Mutole (2019) established that board governance moderated the relation between strategic leadership and performance. In contrast, Owich (2017) conducted a study in listed companies to investigate strategic management process influence on organizational performance and regulations failed to moderate the relationship.

Regarding the interview, the respondents confirmed that strategic leadership practices impacted on the SACCOS performance as they have resulted in increased performance, increased members, increased assets, more deposits, customer loyalty, employee satisfaction and also enhanced the Sacco's image. Further, respondents confirmed that legal factors impacted on the SACCO's performance as it has enhanced performance in terms of good image, number of complaints reported have reduced, increase in members, member satisfaction. The respondents further explained that an environment that's highly regulated discouraged occurrence of malpractices which would otherwise have a negative effect on the performance of the DTS's in Kenya.

## CONCLUSION

The findings established that legal factors encompassing board competence, insider lending,

shareholder protection and financial disclosures had a moderating effect on the relationship between strategic leadership practices and performance. The null hypothesis was rejected that Legal factors had no significant influence on the relationship between strategic leadership practices and performance of deposit taking Sacco's in Kenya. Therefore, conclusion was made that legal factors had a significant influence on the relationship between strategic leadership practices and performance of Deposit Taking SACCOS in Kenya at level ( $\alpha \leq 0.05$ ).

The study contributed to literature by incorporating legal factors as moderator on the relationship between strategic leadership practices and performance of Deposit Taking SACCOS in Kenya. This study provides practical implications for organization's to ensure that strategic leaders are alive to the legal factors and in particular in relation to board competence, insider lending, shareholder rights and financial disclosures as these factors may enhance overall performance.

#### **RECOMMENDATION**

Sacco leaders should ensure that the DTS complies with the laws governing them and specifically on

provisions relating to board competence, shareholder rights, insider lending and financial disclosures. DTS leaders should therefore work closely with SASRA in order to position themselves strategically for superior performance.

#### **Suggestions for Future Research**

The study focused on four strategic leadership practices; employee empowerment, innovation, strategic direction setting and ethical practices. Further research can be undertaken that can include other strategic leadership practices such as strategic control, exploiting and maintaining core competencies and resource portfolio. The study focused on legal factors as the moderating variable thus more research may be done on other moderating variables such as economic and cultural factors. Further studies can be replicated in other DTS based in other counties as this study was done in Nairobi County. Others studies may be undertaken in non-deposit taking Sacco's and also other organizations in the financial sector such as banks, insurance companies and micro financial institutions. Lastly, the study was done in Kenya, an identical study may be undertaken in other countries for comparison purposes.

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